

Steady interest rate sees bond applications continue to climb

The current record-low interest rate has sparked activity from buyers across all price bands, with one mortgage originator seeing an almost 60% increase in bond applications for May, when compared year-on-year.



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This growth is significant, as it compares favourably with the massive uptick in bond applications seen this time last year when Deeds Offices were able to reopen as lockdown restrictions eased, says Carl Coetzee, CEO of BetterBond. “Bond applications more than doubled for the 12-month period ending in May 2020. This was initially attributed to pent-up demand, created by lockdown restrictions. However, the growth in applications in the past 12 months, coming off this high base, suggests that the current lending environment is contributing to sustained buyer activity.”

Approval rates also remain positive, with a more than 50% increase for May year-on-year.

“While most of the activity in the past year has been at the lower end of the market, buyers in all price bands are starting to take advantage of the lowest interest rate in 55 years and the assurance from the South African Reserve Bank that future interest rate hikes are likely to be gradual,” says Coetzee.

There has been a 36% increase in approved bonds for homes between R2.5 million and R3 million, and a 31% increase in bonds for homes of more than R3 million. “Buyers feel confident that with the interest rate set to remain in single digits for a while yet, this is the ideal time to apply for a bond, even at the upper end of the price range.” Application approvals for bonds of R1.5 million to R2 million have increased by 25%.

The first-home buyer activity seen last year has eased off somewhat, but it is encouraging to see that the confidence in the property market has spilled over to buyers across all price bands, says Coetzee. “Also, those first-home buyers who are still in the market are able to afford more than they would have in 2020, when the prime rate was at 10%.” The average first-home buyer purchase price has increased by almost 15%, year-on-year.

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